Chapter 5  Contract Administration

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Bracketed section numbers refer to the 2006 Standard Specifications.

Section 2  Funds

5-201  General
Caltrans aims to complete construction projects within the planned scope, allotted time, and projected budget. The project allotment includes a contingency fund for unforeseen expenses or unknown factors encountered during construction. Occasionally, the magnitude and cost of unforeseen expenses or unknown factors are greater than the budgeted amount. In such instances, the contract allotment may be supplemented with additional funds to complete the project as originally planned. The California Transportation Commission (CTC) adopted resolutions G-11 and G-12 in 1978 to allocate funds for emergency contracts (G-11) and to delegate authority for Caltrans to adjust project allocations and modify project descriptions (G-12). Those resolutions have been amended and superseded over the years. The processes are still referred to as G-11 and G-12. This section explains the processes for managing project funds and obtaining additional project funds. Refer to Section 5-5, “Emergency Contract Administration,” of this manual for the G-11 process.

5-202  Managing Funds
The resident engineer is responsible for managing the project construction costs within the current allotment, which includes item payments, Department-furnished materials, contingencies, and supplemental work. The resident engineer must track project expenditures, forecast future costs, determine the need for additional funds, and immediately notify the construction engineer of any apparent funding shortfalls. The resident engineer must not allow work to proceed that would require the encumbrance of additional funds before those funds have been approved and added to the project allotment.

The resident engineer must update the project contingency balance continuously as changes occur and whenever additional costs are initially identified. For example, payment for item overruns will come from the contingency fund, and extra money from item underruns will be returned to the contingency fund.

5-203  Obtaining Additional Funds
When the resident engineer determines that additional funds are needed, the resident engineer must consult with the construction engineer. Both engineers should discuss additional funds and potential alternatives to complete the project within budget.

An assessment of financial status must show that the existing contingency balance will prove insufficient to complete the project within the approved contract scope. Do not request additional funds to settle disputes that are not yet resolved.

The resident engineer and the construction engineer must next meet with the construction field coordinator and the project manager to discuss the funding need and alternatives. For emergency contracts or for maintenance funded contracts, include in...
these early discussions the district maintenance major damage coordinator or the
district maintenance engineer respectively, and the funding program advisor.

5-203A G-12 Funds Request

If it is decided that the best alternative is to request additional funds, the construction
engineer must then write a “Construction Phase Request for Supplemental G-12
Funds” memorandum to request additional funds and send it to the project manager.
The memo must include sections entitled “Financial Status of the Contract,” and
“Justification for the Request.” The “Financial Status of the Contract” section must
include information on the present contract allotments and estimated probable final
expenditures for contract items, supplemental work, contingency fund, Department-
furnished material and expenses, and any previously approved additional funds. The
“Justification for the Request” section must contain a clear explanation of the reason
for additional funds to complete the project within the scope indicated in the approved
contract. The justification must answer the following questions:

- Why are additional funds needed?
- What work will be performed with the additional funds?
- What alternatives have been considered to mitigate the unforeseen expenses?

The construction engineer ensures that informational copies of the request are e-mailed
to the construction field coordinator and the appropriate funding program advisor. For
an example of the memorandum, refer to the Division of Construction intranet site at:

http://pd.dot.ca.gov/construction/contractmanagement/cmpage.htm

The project manager manages the project G-12 funding capacity. The project manager
completes the request for additional funds using the information in the request from the
construction engineer. The project manager provides any additional information
needed to complete the request, including any participation concurrence from other
funding partners, and if applicable, an explanation of previously approved funding
requests.

After the project manager coordinates getting the district signatures, the project
manager e-mails the “Construction Phase Request for Supplemental G-12 Funds” to
the G-11/G-12 mailbox:

G11-G12-Funds Request/HQ/Caltrans/CAGov

The budget analyst in the Division of Budgets reviews and processes the request. Upon
concurrence, the budget analyst forwards it to the Division of Construction change
order engineer and informs the appropriate funding program advisor as needed.
Rejected G-12 memos are returned to the project manager for revision.

The change order engineer reviews each G-12 memo for completeness, signature
authority, compliance with policy, and ensures that it addresses the following issues:

- Existing and projected financial status.
- Justification for the G-12 funding.
- Clearly defined scope of work.
- Consideration of sufficient alternatives.

When the change order engineer concurs with the G-12 memo, it is sent to the
construction field coordinator and the project management coordinator for review and
approval. After the coordinators approve the request, a copy of the fully executed request is kept in the change order engineer files and a copy is returned to the Division of Budgets. The budget analyst in the Division of Budgets adjusts the project allocation by supplementing the expenditure authorization, notifies the Division of Accounting to update AMS Advantage, and notifies the district construction office to update the contract administration system. When the updates are complete, the resident engineer can authorize performance of the work contemplated by the G-12 memo.

If rejected by the change order engineer, the budget analyst, or one of the coordinators, the change order engineer notifies the project manager of the rejection so that the district can consider alternatives. The project manager should work with the district construction staff, the construction coordinator, and the project management coordinator to develop a new funding strategy; or the project manager can appeal to the supplemental funds request (SFR) executive committee. The project manager ensures that preparation of the appeal follows district policy and e-mails it to the SFR executive committee at the G-11/G-12 mailbox.

Appeals for G-12 funds are directed to the Division of Transportation Programming, which facilitates the monthly SFR executive committee meeting. The SFR executive committee considers each G-12 funds request appeal. The district project manager and the construction and project management coordinators present their positions to the SFR executive committee. If the SFR executive committee approves the appeal, the Division of Budgets processes the G-12 funds request. If the SFR executive committee denies the G-12 funds request appeal, the project manager works with the district construction staff and construction field coordinator to develop a new project completion strategy.

5-203B California Transportation Commission Supplemental Funds Request

If G-12 authority is insufficient to cover the work contemplated, a California Transportation Commission vote will be necessary to obtain any additional funding.

The procedure for obtaining approval from the California Transportation Commission is described in Appendix A-2 of the funds request instructions on the Division of Transportation Programming internet site:

http://www.dot.ca.gov/hq/transpro/allocation_new.htm

5-204 Segregation of Quantities for Fund Apportionment

5-204A General

The recording of total quantities of materials used on a project determines the final payment to contractors. However, this recording does not complete the data necessary to prepare the final billing when projects involve several different funding sources independent of state highway funds. Therefore, resident engineers must review the expenditure authorization (EA) for each project before work begins and be alert to the necessity for segregating quantities for fund apportionment. Details about cost segregation are covered in Section 9-1, “Construction Contract Administration for Projects Funded by Others,” and Section 5-309, “Federal Segregation Determination on Change Orders,” of this manual.

Construction projects may be funded from many different fund sources. These include the following state administered sources:

• The Interregional Transportation Improvement Program (ITIP).
• The Regional Transportation Improvement Program (RTIP).
• The State Highway Operation and Protection Program and Minor Projects (SHOPP & Minor).

Other funding sources for construction projects include the following:
• Federal Demonstration Funds.
• Local tax measure funds.
• Local developer fees.
• State and local partnership funds, or even private funds.

The project funding may come from a single source or from a combination of the above sources. The arrangements for multiple funding sources may involve each party paying a percentage of the project or each party paying for specific items or locations of work.

It is essential that the resident engineer understand the project’s funding make-up and understand the agreement that establishes the funding and payment arrangements. This knowledge is important in the maintenance of records throughout the project, including records for quantities, cost increases, change orders, and final apportionment. The resident engineer may need to notify, and get concurrence from, the appropriate funding source when the work changes. The project manager should make this funding information available to the resident engineer, who should then establish a contact with the funding source.

5-204A (1) Requirements for Specific Types of Funding

Following are the requirements for specific funding types:

5-204A (1a) Federal Funds for State Highway Projects
Segregate the costs for federal participation only for major change orders (as defined in Section 5-311A, “Division of Construction Approval,” of this manual), maintenance work, and work financed by others. Refer to Section 5-3, “Change Orders,” of this manual for details about cost segregation. Quantity or cost segregation for all other planned work is handled on a percentage basis according to the detailed estimate. No special reporting is required by the field personnel.

5-204A (1b) Federal or State Funds for Local Assistance Projects
Segregate the quantities and costs between various funds for all local assistance projects.

5-204A (1c) Local Funds for State Highway Projects (Cooperative Projects)
Quantities must be segregated for the report of expenditures and for the final billing to contributing agencies. The resident engineer must submit to the accounts receivable and program accounting unit of the Division of Accounting Services a final statement of all quantities or costs incurred as a result of agreements with contributing agencies. Segregate in sufficient detail the quantities and costs (whether covered by change order or resulting from normal variations) so that an accurate final breakdown can be made and the proper costs applied to each funding agency. The report should reference the original and subsequent funding agreements and any change orders or other items that altered the work.